



TEACHER RETIREMENT SYSTEM OF TEXAS

Texas Legislature enacts new laws affecting TRS members, retirees

The 82nd Texas Legislature, Regular Session, adjourned at the end of May after enacting laws that will impact many TRS members and retirees.

The following briefly summarizes key TRS legislation. New laws will take effect on September 1, 2011, unless otherwise noted. In upcoming months, TRS will provide additional information through e-mail messages sent to members and retirees who have registered through *TRS-Connect* to receive legislative updates as soon as those updates become available. TRS will also provide information through newsletters, the TRS website located at www.trs.state.tx.us, and other publications to help members and retirees understand how these bills affect them.

Senate Bill 1669 – Employment After Retirement

This bill is effective immediately.

- Service retirees who retired before January 1, 2011, may now work in Texas public education in any capacity without any loss of monthly annuities. Surcharge requirements for employers still apply to retirees who retired after September 1, 2005 and are working in TRS-eligible positions. New TRS-Care surcharge rates will be effective September 1, 2011. The new rate chart can be found in the employers section of the TRS website.
- Service retirees who retire after January 1, 2011 may work full time for as much as 12 months each school year without any loss of annuities *only if they have a break in service of 12 full consecutive calendar months after retirement*. The bill repeals the former exceptions that allowed service retirees to work on a full-time basis without loss of annuities in certain circumstances (i.e., the bill repeals the six-month exception, the bus driver exception, the principal/assistant principal exception, the acute shortage exception, and the nurse faculty exception). Retirees who have not served a 12-full consecutive-calendar-month break in service after retirement may only work as substitutes or on a one-half time basis. Working full-time in the absence of the break in service of 12 full consecutive calendar months will result in the loss of the annuity for the month in which the full-time work occurs. Also, working in any capacity for a TRS-covered employer, including work as a substitute, will restart the counting toward the required 12-full-consecutive-calendar-month break in service. Surcharge requirements for employers still apply to retirees who retired after September 1, 2005 and are working in a TRS-eligible position. New TRS-Care surcharge rates will be effective September 1, 2011.
- Disability retirees who are working on a three-month trial basis may do so even if the three months cross school years.

An informative webinar on changes to employment after retirement has been placed within the employers section of the TRS website. The Employment after Retirement Report section of the Payroll Manual is also being revised to reflect the requirements of the new law.

Senate Bill 1668 – Service Credit Purchase

This bill makes significant changes to the cost of certain kinds of purchased service credit and makes other administrative adjustments.

- To purchase out-of-state service credit, developmental leave service credit, and unreported service or compensation credit (including substitute service), the cost will increase the actuarial cost of the additional benefit resulting from the credit.
- To purchase withdrawn service credit, the member will be required to deposit the withdrawn amount plus a fee of 8% (increased from 6%).

- For these four types of service credit, an eligible member may purchase eligible service rendered before September 1, 2011 at the old cost, if the service is purchased before September 1, 2013 or an installment agreement is signed and received at TRS before that date.
- A member who was ineligible to receive a refund but nevertheless obtained one from TRS will no longer be required to reinstate the refunded amounts before being eligible to receive TRS benefits on subsequent service credit.
- A person with unreported service or compensation, including substitute service, will be required to verify the service to TRS within five years of when it was rendered in order for it to be creditable. Unreported service will no longer be mandatory to purchase after verification.
- Up to two years of developmental leave service credit may be purchased if the member notifies TRS *before* the leave begins. The member must have at least five years of TRS service credit before the leave occurs and at least one year of service credit following the developmental leave. The credit no longer must be purchased by the end of the first school year following the leave.
- For members with military service that qualifies as USERRA service (Uniformed Services Employment and Reemployment Rights Act of 1994), the service may be counted toward length of service requirements for TRS benefit eligibility (but not benefit amount), even if the member does not purchase credit for the service.

House Bill 2561 – Standardized School Year

Starting with the 2012-2013 school year, all TRS members will use a standardized school year of September 1 through August 31 for TRS benefit purposes. This means that TRS service credit and creditable compensation will be determined on a September 1 – August 31 basis.

Senate Bill 1667 – TRS Administration and Benefits (“omnibus bill”)

This bill covers a range of administrative and benefit matters, including the following provisions affecting TRS participants:

- **Service Credit not on Member’s Annual Statement.** Members now must notify TRS in writing if eligible membership service is not shown as service credit on the member’s annual statement. In order for the member to receive TRS credit for the service, the member must notify TRS within five years of when the service was rendered. The bill also provides a transition period for members who have service that was rendered more than five years before the bill takes effect. A member who seeks to establish credit for service rendered before September 1, 2011, but that is not credited on the annual statement must notify TRS in writing by August 31, 2016.
- **Use of Social Security Numbers in QDROs.** For members and retirees who are subject to a court order known as a Qualified Domestic Relations Order (QDRO) dividing their TRS retirement benefits (usually as a result of divorce), the bill ends the current law requirement that the QDRO must state the parties’ social security numbers. TRS may allow the parties to use an alternate method, acceptable to TRS, to verify their social security numbers. The bill also authorizes TRS to establish a fee for administering a QDRO and requires use of the TRS model QDRO.
- **Amounts Owed to TRS.** If a TRS participant or beneficiary owes TRS money, TRS may deduct that amount from benefit payments made by TRS to that person.
- **Trust Designated as a TRS Beneficiary for Option 1, 2, or 5 Benefits.** If a retiree designates a trust as beneficiary for Option 1, 2, or 5 benefits and later changes the beneficiary designation from the trust to the individual named as the trust beneficiary, the bill allows TRS to pay the new TRS beneficiary for *life*, instead of just for the new TRS beneficiary’s *life expectancy*.
- **Death Benefits.** The bill clarifies how TRS will pay benefits after the death of a member or annuitant when a beneficiary designation is revoked upon TRS receipt of a divorce decree or when a beneficiary is not eligible to receive the death benefits because the beneficiary is convicted of causing the death of the TRS participant. For applicable situations, TRS will use the statutory order of payment set out in the plan provisions.
- **Benefits not Payable to Person Causing Death of TRS Participant.** Benefits payable on the death of a member or annuitant are not payable to a person who is found not guilty of causing the death by reason of insanity.

or who is found incompetent to stand trial.

- **Providing Information about a Deceased TRS Participant.** When there is no executor or administrator for the estate of a deceased participant, TRS will have authority to release information about the participant when the executive director determines the recipient is acting in interest of the participant's estate or an heir of the participant.
- **TRS Board of Trustee Nominating Elections.** TRS will have greater flexibility to use electronic voting in board nominating elections. Also, if fewer than three persons are nominated for a board position that has a nominating election, TRS may forward fewer than three names to the governor. The bill also authorizes the governor to appoint the trustee if no person is nominated.

House Bill 1 – General Appropriations Act (GAA)

For the pension fund, the state contribution rate was lowered from 6.644% to 6.0% in fiscal year 2012; in fiscal year 2013, the rate will be 6.4%. The member contribution rate remains at 6.4% for both years of the biennium. For TRS-Care, the retiree health benefits program, the state contribution rate remains at 1% in fiscal year 2012; it is lowered to 0.5% in fiscal year 2013.

A memorandum announcing the new rate and the affected monthly TRS reports has been placed within the employers section of the TRS website.

Several GAA riders are important to TRS participants:

- TRS is required to conduct a study of TRS-Care and report to the legislature on potential changes to improve the program's sustainability.
- The legislature expressed its intent that TRS not increase retiree health insurance premiums for the 2012-13 biennium. At its June meeting, the TRS Board considered updated financial information and did not raise TRS-Care premiums for the upcoming school year.
- TRS is required to report to the legislature on the impact of potential changes to the pension plan, including retirement eligibility, final average salary, benefit multiplier, and the creation of a hybrid defined contribution/defined benefit retirement plan.
- TRS is authorized to establish a pilot program for TRS participants in the group health benefit programs to test alternatives to traditional fee-for-service payments.

House Bill 2120 – Board of Trustees “Open” Seat

The current higher education trustee position will now be an “open” seat. TRS retirees, members in public school districts, and members in higher education institutions may run for nomination to this trustee position in the next election (2017). The top three vote recipients' names will be submitted to the governor for appointment.

House Bill 1061 – TRS Investments

TRS is authorized to use derivatives in its investment portfolio and to use external managers to invest up to 30% of the TRS fund until September 1, 2019. TRS is authorized to increase its allocation to hedge funds from 5% to 10% until September 1, 2019.

As soon as new information becomes available, it will be posted to the TRS website. We encourage you to check the site for periodic updates. An even more convenient option is to sign up for *TRS-Connect* to receive e-mail updates. To register, just click on the *TRS-Connect* link on the right side of the TRS website's homepage (www.trs.state.tx.us).

TRS offices to close on Independence Day

TRS offices in Austin will be closed on Monday, July 4, in observance of Independence Day.